

# *Financial Statements*

**REGIONAL AND LOCAL RAN PROGRAMS  
(CAL-ID PROGRAM)**

**FINANCIAL STATEMENTS**

**YEARS ENDED JUNE 30, 2003 AND 2002**

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**SECTION I**

**REGIONAL AND LOCAL  
RAN PROGRAMS  
(CAL-ID Program)**

**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE  
WITH MANAGEMENT'S ASSERTIONS**

**YEARS ENDED JUNE 30, 2003 AND 2002**



**ROGERS, ANDERSON, MALODY & SCOTT, LLP**

CERTIFIED PUBLIC ACCOUNTANTS

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**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE  
WITH MANAGEMENT'S ASSERTIONS**

Mr. Larry Walker  
Auditor/Controller - Recorder  
County of San Bernardino  
San Bernardino, California

We have examined management's assertions regarding the Regional and Local RAN Programs' (also known as the CAL-ID Program) compliance with the terms and provisions of applicable agreements for the years ended June 30, 2003 and 2002, included in the accompanying Regional and Local RAN Programs Statement of Compliance. Management is responsible for the CAL-ID Program's compliance with those requirements. Our responsibility is to express an opinion on management's compliance based on our examination.

Our examination was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants and, accordingly, included examining, on a test basis, evidence about the CAL-ID Program's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our examination provides a reasonable basis for our opinion. Our examination does not provide a legal determination on the CAL-ID Program's compliance with specified requirements.

In our opinion, the CAL-ID program complied, in all material respects, with the aforementioned requirements for the years ended June 30, 2003 and 2002.

This report is intended solely for the information and use of management, responsible officials with San Bernardino and Riverside counties and members of the Regional and Local RAN Programs.

*Rogers, Anderson, Malody & Scott, LLP*

February 9, 2004

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**SECTION II**

**REGIONAL AND LOCAL  
RAN PROGRAMS  
(CAL-ID Program)**

**STATEMENT OF COMPLIANCE**

**YEARS ENDED JUNE 30, 2003 AND 2002**

# AUDITOR/CONTROLLER-RECORDER COUNTY CLERK



COUNTY OF SAN BERNARDINO

**AUDITOR/CONTROLLER** • 222 West Hospitality Lane, Fourth Floor  
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**RECORDER • COUNTY CLERK** • 222 West Hospitality Lane, First Floor  
San Bernardino, CA 92415-0022 • (909) 387-8306 • Fax (909) 386-8940

**LARRY WALKER**  
Auditor/Controller-Recorder  
County Clerk

**ELIZABETH A. STARBUCK**  
Assistant Auditor/Controller-Recorder  
Assistant County Clerk

February 9, 2004

SAN BERNARDINO/RIVERSIDE REGIONAL RAN BOARD  
SAN BERNARDINO COUNTY LOCAL RAN BOARD  
200 South Lena Road  
San Bernardino, California 92415-0056

SUBJECT: REGIONAL AND LOCAL RAN PROGRAMS (CAL ID)  
STATEMENT OF COMPLIANCE  
FUNDS HELD IN THE SAN BERNARDINO COUNTY TREASURY

In connection with funds held in the San Bernardino County Treasury for the San Bernardino/Riverside Regional Remote Access Network (Regional RAN, also known as Regional CAL ID) and the San Bernardino Local Remote access Network (Local RAN, also known as Local CAL ID) for the two fiscal years from July 1, 2001 through June 30, 2003, we have complied with the stated terms of the following agreements executed by the County of San Bernardino, the County of Riverside and the cities located within San Bernardino County. Specifically, we managed funds held for these programs such that, to the best of our knowledge and belief, we assured compliance with the provisions of each contract as stated below.

1. Agreement between the counties of San Bernardino and Riverside:

- a. Riverside and San Bernardino counties each agree to be responsible for 50% of the cost of the Regional RAN program;
- b. The Regional RAN Board will adopt an annual budget, which will be approved by the Riverside County and San Bernardino County Boards of Supervisors;
- c. San Bernardino and Riverside counties will remit to the San Bernardino County Auditor/Controller-Recorder their annual contributions;
- d. The San Bernardino County Auditor/Controller-Recorder will reimburse the San Bernardino County Department of Information Services for actual expenses incurred for Regional RAN computer support services;
- e. San Bernardino County will provide Riverside County with a financial statement at the end of each fiscal year covering the expenses of the Regional RAN;
- f. The Sheriffs of Riverside and San Bernardino counties will be responsible for fiscally managing and operating the Regional RAN systems; as a matter of practice, this includes ensuring that all documents have the proper signatures, and that funds are disbursed only for program purposes.


2. Agreements between San Bernardino County and each city within San Bernardino County:

- a. San Bernardino County and each of the participating cities within San Bernardino County agree to share in San Bernardino County's Regional and Local RAN program costs based on the user's percentage of the total population of all users within San Bernardino County;
- b. Funds will be held in separately identifiable interest-bearing accounts with the County;
- c. The Sheriff of San Bernardino County will be responsible for managing and operating the San Bernardino County Local RAN system consistent with the direction of the Local RAN Board;
- d. San Bernardino County shall provide users with a financial statement at the end of each fiscal year.

COUNTY OF SAN BERNARDINO

  
\_\_\_\_\_  
Larry Walker, Auditor/Controller-Recorder

  
\_\_\_\_\_  
Gary Penrod, Sheriff

  
\_\_\_\_\_  
Howard Ochi, Chief Deputy Auditor

**SECTION III**

**REGIONAL AND LOCAL  
RAN PROGRAMS  
(CAL-ID Program)**

**FINANCIAL AND COMPLIANCE REPORT**

**YEARS ENDED JUNE 30, 2003 AND 2002**



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## INDEPENDENT AUDITOR'S REPORT ON THE FINANCIAL STATEMENT

Mr. Larry Walker  
Auditor/Controller - Recorder  
County of San Bernardino  
San Bernardino, California

We have audited the accompanying statements of receipts, disbursements and trust fund cash of the Regional and Local RAN Programs (also known as the CAL-ID Program) for the years ended June 30, 2003 and 2002. These financial statements are the responsibility of the CAL-ID Programs' management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

As discussed in Note 2, the CAL-ID Program prepares its trust account financial statements on the basis of cash receipts and disbursements, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued a report, dated February 9, 2004, on our consideration of the CAL-ID Program's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in considering the results of our audit.

In our opinion, the financial statements referred to above present fairly, in all material respects, the receipts, disbursements and trust fund cash of the CAL-ID Program for the years ended June 30, 2003 and 2002 on the basis of accounting described in Note 2.

*Rogers, Anderson, Malody & Scott, LLP*

MEMBERS February 9, 2004

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**CAL-ID PROGRAM**

**STATEMENTS OF RECEIPTS, DISBURSEMENTS AND TRUST FUND CASH -  
REGIONAL PROGRAMS**

**Years Ended June 30, 2003 and 2002**

	<u>2003</u>	<u>2002</u>
<b>Regional AFIS</b>		
Contractual payments (Note 5)	\$ 400,000	\$ 400,000
Interest earnings	35,822	37,574
<b>Total receipts</b>	<u>435,822</u>	<u>437,574</u>
 Disbursements	 <u>135,287</u>	 <u>157,395</u>
<b>Receipts over (under) disbursements</b>	<u>300,535</u>	<u>280,179</u>
 Beginning balance	 <u>902,427</u>	 <u>622,248</u>
Ending balance	<u>1,202,962</u>	<u>902,427</u>
 <b>Regional DNA</b>		
Contractual payments (Note 5)	433,600	410,000
Interest earnings	17,898	21,733
<b>Total receipts</b>	<u>451,498</u>	<u>431,733</u>
 Disbursements	 <u>378,488</u>	 <u>372,775</u>
<b>Receipts over (under) disbursements</b>	<u>73,010</u>	<u>58,958</u>
 Beginning balance	 <u>464,949</u>	 <u>405,991</u>
Ending balance	<u>537,959</u>	<u>464,949</u>
<b>Total Regional Programs cash balance at year end</b>	<u><u>\$ 1,740,921</u></u>	<u><u>\$ 1,367,376</u></u>

See Notes to Financial Statements.

**CAL-ID PROGRAM**

**STATEMENTS OF RECEIPTS, DISBURSEMENTS AND TRUST FUND CASH -  
LOCAL PROGRAMS**

**Years Ended June 30, 2003 and 2002**

	<u>2003</u>	<u>2002</u>
<b>Local AFIS</b>		
Contractual payments (Note 5)	\$ 1,222,036	\$ 1,191,268
Interest earnings	152,439	181,689
Penalty assessment fines (Note 1)	452,268	449,690
DMV assessment, net (Note 3)	1,049,004	1,008,861
Cash transfer from regional programs (Note 4)	-	-
<b>Total receipts</b>	<u>2,875,747</u>	<u>2,831,508</u>
 Disbursements	 <u>2,152,920</u>	 <u>2,016,240</u>
<b>Receipts over disbursements</b>	<u>722,827</u>	<u>815,268</u>
 Beginning balance	 <u>4,194,535</u>	 <u>3,379,267</u>
Ending balance	<u>\$ 4,917,362</u>	<u>\$ 4,194,535</u>

See Notes to Financial Statements.

## **CAL-ID PROGRAM**

### **NOTES TO FINANCIAL STATEMENTS**

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#### **Note 1. Nature of Program**

The CAL-ID Program (the Program or CAL-ID) is a two-county contractual program between San Bernardino and Riverside Counties. The Program computerizes fingerprint records and performs DNA analyses in order to support criminal investigations. It also allows local agencies to access the databases of other jurisdictions to conduct fingerprint searches.

#### **A summary of the Program components is as follows:**

**Regional AFIS:** The two-county contractual Automated Fingerprint Identification System (AFIS) provides hardware and software used to maintain fingerprint records. The system is for both counties and local police agencies.

**Local AFIS:** The San Bernardino County program enables local police agencies to interface with the regional system. The program allows agencies to input fingerprint data and perform database searches.

**Regional DNA:** The two-county Program provides for equipment and operation of a DNA analysis lab located at the San Bernardino crime lab. Services are available to all San Bernardino and Riverside local police agencies. However, due to the expense of DNA analysis, criteria have been established to define which cases will be accepted.

**Funding sources:** The Program receives a major portion of its receipts from court-imposed penalty assessment fines. Senate Bill (SB) 1148, effective October 1, 1988, states an additional \$.50 assessment will be levied on every \$10 fine, penalty or forfeiture imposed or collected by the courts for criminal offenses. The funds are used to support local programs. The funds collected are deposited directly by the courts into the local AFIS trust fund.

The budgeted Program costs not financed by estimated SB 1148 fees are assessed to the participating counties and cities.

The regional Program costs are allocated equally to San Bernardino and Riverside Counties. Local Program costs are apportioned to San Bernardino County and participating cities based on relative population.

#### **Note 2. Reporting and Accounting Policy**

The accompanying statements of receipts, disbursements and trust fund cash reflect the annual activity and cash balance for the trust funds maintained by the San Bernardino Auditor/Controller (A/C) for the aforementioned Program components. Under the terms of the various contracts, the A/C is the trustee of the regional Programs and San Bernardino's local Program. As trustee, the A/C is responsible for collecting and disbursing funds.

## **CAL-ID PROGRAM**

### **NOTES TO FINANCIAL STATEMENTS**

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#### **Note 2. Reporting and Accounting Policy (continued)**

The trust fund statements are prepared on a cash basis of accounting. Receipts and disbursements are recognized when cash is received and cash is paid.

The accompanying financial statements include only the receipts and disbursements of the Program and, as such, do not represent the results of operations of other activities or the operations taken as a whole for the County of San Bernardino.

#### **Note 3. DMV Assessment (Local AFIS)**

On September 30, 1997, the State enacted SB720 adding Section 9250.19 to the Vehicle Code, which provides that, upon request by a county, the Department of Motor Vehicles can, with certain exceptions, collect a \$1 fee from every motor vehicle registered within each County for the five-year period of January 1, 1998 through January 1, 2003. The funds collected shall be used for local programs to enhance law enforcement fingerprint identification. On October 28, 1997, the San Bernardino County Board of Supervisors adopted a resolution implementing a \$1 registration assessment on vehicles registered in San Bernardino County. The estimated revenue for San Bernardino is expected to be approximately \$1.15 million per year for six years for a total of approximately \$6.9 million. The collection of the assessment by the State was scheduled to commence January 1, 1998. Due to a delay in the implementation by the State, funds had not been collected or allocated under this program until May 1999. As of June 30, 2003, the Program had received \$4,811,786 of the DMV assessment.

The State extended the sunset date of the new assessment to five years after collection actually commenced in order to prevent any loss of revenue to the counties. In an effort to aid counties that were depending upon this funding for fiscal year 1998/99, the State appropriated funds for disbursement to eligible counties in the form of interest-free loans. The loans are to be repaid within five years from the date that collection of the fee commences by withholding 1/20<sup>th</sup> of the loan amount from each quarterly payment to the County to coincide with the new sunset date for the assessment. The State determined that San Bernardino County was eligible for this funding. The Program was advanced a total of \$1,708,212 and the total loan outstanding as of June 30, 2003 was \$261,072. The loan will be repaid only from a special fund consisting of DMV registration fee revenue, and the County General Fund will not be responsible for any of the debt.

#### **Reconciliation of DMV assessments per Local AFIS**

For the year ended June 30, 2002:

Advances from the DMV	\$ -
Advance repayments to the DMV	(348,096)
Assessments received from the DMV	1,356,957
Net amounts received from the DMV for the year ended June 30, 2002	<u>\$ 1,008,861</u>

## **CAL-ID PROGRAM**

### **NOTES TO FINANCIAL STATEMENTS**

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#### **Note 3. DMV Assessment (Local AFIS) (continued)**

For the year ended June 30, 2003:

Advances from the DMV	\$ -
Advance repayments to the DMV	(348,096)
Assessments received from the DMV	<u>1,397,100</u>
Net amounts received from the DMV for the year ended June 30, 2003	<u>\$ 1,049,004</u>

#### **Note 4. Regional Trust Fund-Cash Reserve**

On October 11, 1989, the San Bernardino/Riverside Boards of Supervisors authorized the establishment of an undesignated cash reserve account within the regional trust fund. The excess of receipts over disbursements each year has been retained by the regional trust funds, increasing the cash balance. The cash balance is to be used for future equipment requirements.

#### **Note 5. Commitments**

Maintenance of the AFIS system is provided by N.E.C. Technologies, Inc. (NEC), the State-selected contractor for CAL-ID. Per contractual agreement between San Bernardino and Riverside Counties, they must jointly enter into an agreement with NEC for computer and equipment purchases and vendor maintenance. The cost of these maintenance contracts for the Regional AFIS Program for the years ended June 30, 2003 and 2002 was \$135,180 and \$157,710, respectively.

The Program had outstanding purchase commitments at June 30, 2003 of approximately \$133,531.



**ROGERS, ANDERSON, MALODY & SCOTT, LLP**

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### INDEPENDENT AUDITOR'S REPORT ON THE SUPPLEMENTARY INFORMATION

Mr. Larry Walker  
Auditor/Controller - Recorder  
County of San Bernardino  
San Bernardino, California

Our audit was made for the purpose of forming an opinion on the statements of cash receipts, disbursements and trust funds taken as a whole. The supplementary information is presented for purposes of additional analysis and is not a required part of the aforementioned statements. Such information has not been subjected to the auditing procedures applied in the financial statements referred to in this paragraph and, accordingly, we express no opinion on it.

*Rogers, Anderson, Malody & Scott, LLP*

February 9, 2004

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**CAL-ID PROGRAM****OPERATING FUNDS SCHEDULE (UNAUDITED)**  
**Years Ended June 30, 2003 and 2002**

	<u>2003</u>	<u>2002</u>
<b>Regional AFIS</b>		
Revenue:		
Reimbursements from trust	\$ 137,055	\$ 157,364
Expenditures:		
NEC maintenance	135,180	157,710
Operating	1,875	(346)
Equipment	-	-
	<u>\$ -</u>	<u>\$ -</u>
<b>Regional DNA</b>		
Revenue:		
Reimbursements from trust	\$ 379,843	\$ 364,183
Expenditures:		
Salaries	300,368	284,702
Other services/supplies	79,475	79,481
	<u>\$ -</u>	<u>\$ -</u>
<b>San Bernardino Local AFIS</b>		
Revenue:		
Reimbursements form trust	\$ 1,754,100	\$ 1,632,590
Expenditures:		
Salaries	1,270,416	1,147,073
Audit fees	-	-
Equipment	35,909	162,792
Other services/supplies	447,775	322,725
	<u>\$ -</u>	<u>\$ -</u>

See Notes to Supplementary Schedule.

## **CAL-ID PROGRAM**

### **NOTES TO SUPPLEMENTARY SCHEDULE**

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#### **Reporting and Accounting Policy**

The auditor/controller established operating funds (see supplemental information) during the year ended June 30, 1991 to record and disburse expenditures for the regional Programs and San Bernardino's local Program. Disbursed expenditures are reimbursed from the trust fund after they are paid.

The operating fund schedule covers the period beginning July 1, 2001 through June 30, 2003 and is prepared on the modified accrual basis. Revenues are recognized in the accounting period in which they become available and measurable. Expenditures are recognized when incurred. "Measurable" means the amount of the transaction can be determined and "available" means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period.



**ROGERS, ANDERSON, MALODY & SCOTT, LLP**

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**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE AND INTERNAL CONTROL  
OVER FINANCIAL REPORTING BASED ON AN AUDIT OF FINANCIAL STATEMENTS  
PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS**

Mr. Larry Walker  
Auditor/Controller - Recorder  
County of San Bernardino  
San Bernardino, California

We have audited the statements of receipts, disbursements and trust fund cash of the Regional and Local RAN Programs (also known as the CAL-ID program) for the years ended June 30, 2003 and 2002 and have issued our report thereon, dated February 9, 2004. We conducted our audit in accordance with generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States.

**Compliance**

As part of obtaining reasonable assurance about whether the CAL-ID Program's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under *Government Auditing Standards*.

**Internal Control Over Financial Reporting**

In planning and performing our audit, we considered the CAL-ID Program's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on internal control over financial reporting.

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However, we noted the following matter involving internal control over financial reporting and its operation that we consider to be a reportable condition. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of internal control over financial reporting that, in our judgment could adversely affect the CAL-ID Program's ability to record, process, summarize and report financial data consistent with the assertions of management in the financial statements. The reportable condition is described below:

The Local AFIS Program of the CAL-ID Program is funded in part by a penalty assessment (assessments) imposed by SB 1148 on court-ordered fines, penalties and forfeitures. The courts are responsible for distributing these assessments.

In past years, the courts and these assessments were subject to audit in accordance with California Government Code Section 71383. As a consequence of the repeal of this legislation in 1999, the audits are no longer performed. In our judgment, these audits provided a necessary and effective source of control over the collection and distribution of these assessments.

While we recognize that the courts' collection and distribution system is beyond the control of CAL-ID's management, we believe management should address the issue of effective control directly with the court system.

A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. Our consideration of internal control over financial reporting would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, we believe the reportable condition described above is not a material weakness.

This report is intended for the information of the Program's management, the County of San Bernardino and the County of Riverside. However, this report is a matter of public record and its distribution is not limited.

*Rogers, Anderson, Malody & Scott, LLP*

February 9, 2004